

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BEAR CREEK TOWNSHIP	County EMMET
Audit Date 3/31/04	Opinion Date 6/4/04	Date Accountant Report Submitted to State: 9/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

MASON & KAMMERMAN, P.C.

Street Address

110 PARK AVENUE

City

CHARLEVOIX

State

MI

Zip

49720

Accountant Signature

JL Mason CPA

Date

9/27/04

MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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Facsimile (231) 547-5911

September 15, 2004

To the Board of Trustees of
Bear Creek Township:

We have audited the financial statements of Bear Creek Township for the year ended March 31, 2004, and have issued our report thereon dated June 7, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 26, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Bear Creek Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bear Creek Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending March 31, 2004. We noted no transactions entered into by the organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no such sensitive estimates that are included in the financial statements.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the organization that could potentially cause financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgement, either individually or in the aggregate, have a significant effect on the organization's financial reporting process.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Cash and Investments

The Township is carrying cash in bank far in excess of Federal Deposit Insurance Corporation (FDIC) limitations. There are many options for good sound investing which are available to the Township. We recommend the balances be transferred to other institutions or investments which would decrease the Township's risk of loss.

Personal Property Taxes

Although substantially less than last year, audit procedures again revealed a significant amount of personal property taxes were unpaid as of February 15, 2004. Michigan property tax law doesn't allow personal property tax to be returned delinquent. The statutes do provide the township treasurer with legal means for collection. It is our recommendation the township treasurer use whatever means are available to collect these taxes.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Trustees of Bear Creek Township and should not be used for any other purpose.

Very truly yours,

Mason & Kammermann PC

Mason & Kammermann, P.C.

BEAR CREEK TOWNSHIP
EMMET COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2004

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

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MASON & KAMMERMANN, P.C.
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June 4, 2004

INDEPENDENT AUDITOR'S REPORT

To the Township Board of
Bear Creek Township:

We have audited the accompanying general purpose financial statements of Bear Creek Township as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Bear Creek Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the component unit proprietary fund as of and for the year ended December 31, 2003. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the component unit proprietary fund is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Bear Creek Township as of March 31, 2004 and December 31, 2003 for the component unit proprietary fund, the results of operations and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Bear Creek Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Mason & Kammermann PC

BEAR CREEK TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
as of March 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>PROPRIETARY FUND TYPE</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>ENTERPRISE</u>
ASSETS:			
Cash in bank(Note C)	\$ 932,791	\$339,690	\$ 20,713
Money market savings	-	-	196,904
Certificates of deposit(Note C)	756,081	50,000	-
Receivables:			
Taxes	24,457	13,128	-
Assessments	-	-	-
Accounts - customers	-	-	198,127
Due from other funds(note K)	120,513	-	-
Due from other governmental units	-	-	-
Land and improvements	-	-	-
Buildings	-	-	-
Furniture and equipment	-	-	-
Safety equipment	-	-	-
Investment in joint venture(Note N)	-	-	1,181,093
Sewage utility plant - net of depreciation	-	-	-
Total assets	1,833,842	402,818	1,596,837
RESTRICTED/DESIGNATED ASSETS:			
Restricted assets, debt retirement	-	-	-
Restricted assets, construction	-	-	-
Designated assets, repair/replacement reserve	-	-	-
Total restricted/designated assets	-	-	-
DEFERRED CHARGES - UNAMORTIZED BOND EXPENSES	-	-	-
Total assets	<u>\$1,833,842</u>	<u>\$402,818</u>	<u>\$1,596,837</u>

<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUP</u>			
<u>TRUST AND AGENCY FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>	<u>COMPONENT UNIT</u>	<u>TOTAL MEMORANDUM</u>
\$ 120,513	\$ -	\$ 1,413,707	\$ 21,161	\$ 1,434,868
-	-	196,904	-	196,904
-	-	806,081	-	806,081
-	-	-	-	-
-	-	37,585	-	37,585
-	-	198,127	14,505	212,632
-	-	120,513	-	120,513
-	-	-	19,305	19,305
-	1,390,142	1,390,142	-	1,390,142
-	552,508	552,508	-	552,508
-	417,675	417,675	-	417,675
-	660,621	660,621	-	660,621
-	-	1,181,093	-	1,181,093
-	-	-	4,721,078	4,721,078
120,513	3,020,946	6,974,956	4,776,049	11,751,005
-	-	-	1,726,814	1,726,814
-	-	-	13,598	13,598
-	-	-	123,421	123,421
-	-	-	1,863,833	1,863,833
-	-	-	24,745	24,745
<u>\$ 120,513</u>	<u>\$3,020,946</u>	<u>\$ 6,974,956</u>	<u>\$6,664,627</u>	<u>\$13,639,583</u>

BEAR CREEK TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
as of March 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>PROPRIETARY FUND TYPE</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>ENTERPRISE</u>
LIABILITIES:			
Accounts payable	\$ 6,281	\$ 7,670	\$ -
Due to other governmental units	3,078	-	74,095
Due to other funds(Note K)	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	9,359	7,670	74,095
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:			
Accrued interest on revenue bonds	-	-	-
Long-term debt due within one year	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities payable from restricted assets	-	-	-
LONG TERM DEBT,			
Revenue bonds, Series 1989(Note P)	-	-	-
Due to other governmental units	-	-	-
Less portion due within one year	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term debt	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	9,359	7,670	74,095
FUND EQUITY:			
Investment in general fixed assets	-	-	-
Designated fund balance	195,000	-	-
Unrestricted fund balances	1,629,483	395,148	-
Contributions in aid of construction	-	-	-
Retained earnings	<u>-</u>	<u>-</u>	<u>1,522,742</u>
Total fund equity	<u>1,824,483</u>	<u>395,148</u>	<u>1,522,742</u>
Total liabilities and fund equity	<u>\$1,833,842</u>	<u>\$402,818</u>	<u>\$ 1,596,837</u>

The accompanying notes are a part of the financial statements.

<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUP</u>			
<u>TRUST AND AGENCY FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>	<u>COMPONENT UNIT</u>	<u>TOTAL MEMORANDUM</u>
\$ -	\$ -	\$ 13,951	\$ 38,786	\$ 52,737
-	-	77,173	-	77,173
120,513	-	120,513	-	120,513
120,513	-	211,637	38,786	250,423
-	-	-	10,817	10,817
-	-	-	78,400	78,400
-	-	-	89,217	89,217
-	-	-	430,000	430,000
-	-	-	1,248,100	1,248,100
-	-	-	(78,400)	(78,400)
-	-	-	1,599,700	1,599,700
120,513	-	211,637	1,727,703	1,939,340
-	3,020,946	3,020,946	-	3,020,946
-	-	195,000	-	195,000
-	-	2,024,631	-	2,024,631
-	-	-	3,713,036	3,713,036
-	-	1,522,742	1,223,888	2,746,630
-	3,020,946	6,763,319	4,936,924	11,700,243
<u>\$ 120,513</u>	<u>\$3,020,946</u>	<u>\$ 6,974,956</u>	<u>\$6,664,627</u>	<u>\$13,639,583</u>

BEAR CREEK TOWNSHIP

COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES

for the year ended March 31, 2004

	GOVERNMENTAL FUND TYPES			
	GENERAL FUND	SPECIAL REVENUE FUNDS	TOTALS (MEMORANDUM ONLY)	
			2004	2003
REVENUES:				
Property taxes	\$ 443,854	\$ 150,227	\$ 594,081	\$ 496,419
Intergovernmental	469,702	78,712	548,414	782,647
Permits and fees	643	131,562	132,205	205,730
Interest income	14,258	1,284	15,542	19,918
Other revenues	12,728	-	12,728	1,820
Total revenues	941,185	361,785	1,302,970	1,506,534
EXPENDITURES:				
Current:				
Legislative	153,459	-	153,459	199,227
General government	200,365	-	200,365	188,663
Cultural and recreation	45,723	-	45,723	48,569
Public safety	4,160	338,883	343,043	393,956
Public works	178,990	-	178,990	13,169
Capital outlay	149,183	4,224	153,407	410,154
Total expenditures	731,880	343,107	1,074,987	1,253,738
Excess of revenues over expenditures	209,305	18,678	227,983	252,796
OTHER FINANCING SOURCES(USES):				
Operating transfers in	-	60,000	60,000	-
Operating transfers (out)	(60,000)	-	(60,000)	-
Excess of revenues and operating transfers in over expenditures and transfers out	149,305	78,678	227,983	252,796
FUND BALANCES, April 1, 2003	1,675,178	316,470	1,991,648	1,738,852
FUND BALANCES, March 31, 2004	\$1,824,483	\$ 395,148	\$2,219,631	\$1,991,648

The accompanying notes are a part of the financial statements.

BEAR CREEK TOWNSHIP

COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

for the year ended March 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	OVER/(UNDER) BUDGET
REVENUES:			
Property taxes and fees	\$ 377,000	\$ 443,854	\$ 66,854
Intergovernmental	450,000	469,702	19,702
Permits and fees	12,000	643	(11,357)
Interest income	15,000	14,258	(742)
Other revenue	<u>5,000</u>	<u>12,728</u>	<u>7,728</u>
Total revenues	859,000	941,185	82,185
EXPENDITURES:			
Current:			
Legislative	237,896	153,459	(84,437)
General government	220,124	200,365	(19,759)
Cultural and recreation	45,723	45,723	-
Public safety	32,500	4,160	(28,340)
Public works	231,500	178,990	(52,510)
Capital outlay	<u>172,789</u>	<u>149,183</u>	<u>(23,606)</u>
Total expenditures	<u>940,532</u>	<u>731,880</u>	<u>(208,652)</u>
Excess of revenues over expenditures	<u>(81,532)</u>	<u>209,305</u>	<u>290,837</u>
OTHER FINANCING SOURCES(USES):			
Operating transfers in	-	-	-
Operating transfers (out)	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
Excess of revenues and operating transfers in over expenditures and transfers out	(81,532)	149,305	230,837
FUND BALANCES, April 1, 2003	<u>1,675,178</u>	<u>1,675,178</u>	-
FUND BALANCES, March 31, 2004	<u><u>\$1,593,646</u></u>	<u><u>\$1,824,483</u></u>	<u><u>\$ 290,837</u></u>

The accompanying notes are a part of the financial statements.

<u>SPECIAL REVENUE FUNDS</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/(UNDER) BUDGET</u>
\$105,600	\$150,227	\$ 44,627
6,000	78,712	72,712
150,000	131,562	(18,438)
-	1,284	1,284
<u>-</u>	<u>-</u>	<u>-</u>
261,600	361,785	100,185
-	-	-
-	-	-
-	-	-
258,305	338,883	80,578
-	-	-
<u>34,457</u>	<u>4,224</u>	<u>(30,233)</u>
<u>292,762</u>	<u>343,107</u>	<u>50,345</u>
(31,162)	18,678	49,840
<u>-</u>	<u>60,000</u>	<u>60,000</u>
<u>-</u>	<u>-</u>	<u>-</u>
(31,162)	78,678	109,840
<u>316,470</u>	<u>316,470</u>	<u>-</u>
<u>\$285,308</u>	<u>\$395,148</u>	<u>\$109,840</u>

BEAR CREEK TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

PROPRIETARY FUND TYPE

for the year ended March 31, 2004 (Enterprise Fund)
and December 31, 2003 (Component Unit)

	ENTERPRISE FUND	COMPONENT UNIT	TOTAL MEMORANDUM
OPERATING REVENUES:			
Charges for services	\$ 683,098	\$ 597,860	\$1,280,958
Tap-in fees	<u>97,510</u>	<u>-</u>	<u>97,510</u>
Total operating revenues	780,608	597,860	1,378,468
OPERATING EXPENSES:			
Treatment expense	436,096	-	436,096
Pumping	-	556,664	556,664
Contracted services	183,389	-	183,389
Administrative and general	<u>55,336</u>	<u>41,245</u>	<u>96,581</u>
Total operating expenses	<u>674,821</u>	<u>597,909</u>	<u>1,272,730</u>
Operating income before depreciation	105,787	(49)	105,738
DEPRECIATION EXPENSE ON UTILITY PLANT	<u>-</u>	<u>184,224</u>	<u>184,224</u>
Operating income(loss)	105,787	(184,273)	(78,486)
NONOPERATING REVENUES(EXPENSES):			
Interest and penalty revenue	5,205	5,370	10,575
Contribution by local units to defray interest expense	-	34,063	34,063
Repair and replacement income	-	29,160	29,160
Net income from joint revenue	22,239	-	22,239
Interest expense	-	(33,263)	(33,263)
Bond fees and amortization	-	(5,749)	(5,749)
Contributions to sewage authority:			
Defray debt service costs	(170,946)	-	(170,946)
Repair and replacement reserve	<u>(34,560)</u>	<u>-</u>	<u>(34,560)</u>
Total nonoperating revenues(expenses)	<u>(178,062)</u>	<u>29,581</u>	<u>(148,481)</u>
Net income (loss)	(72,275)	(154,692)	(226,967)
ADD DEPRECIATION AND AMORTIZATION ON FIXED ASSETS ACQUIRED BY GRANTS EXTERNALLY RESTRICT- ED FOR CAPITAL ACQUISITIONS AND CONSTRUCTION	<u>-</u>	<u>178,102</u>	<u>178,102</u>
NET INCREASE(DECREASE) IN RETAINED EARNINGS	(72,275)	23,410	(48,865)
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>1,595,017</u>	<u>1,200,478</u>	<u>2,795,495</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$1,522,742</u>	<u>\$1,223,888</u>	<u>\$2,746,630</u>

The accompanying notes are a part of the financial statements.

BEAR CREEK TOWNSHIP

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE

for the year ended March 31, 2004 (Enterprise Fund)
and December 31, 2003 (Component Unit)

	ENTERPRISE FUND	COMPONENT UNIT	TOTAL MEMORANDUM
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 105,787	\$ (184,273)	\$ (78,486)
Adjustments to reconcile net operating income(loss) to net cash provided(used) by operating activities:			
Depreciation	-	184,224	184,224
Increase in accounts receivable	(91,164)	31,338	(59,826)
Decrease in amounts due other governmental units	-	(2,111)	(2,111)
Increase (decrease) in accounts payable	71,187	(4,943)	66,244
Decrease in accrued interest payable	-	(1,625)	(1,625)
Net cash provided by operating activities	85,810	22,610	108,420
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of fixed asset	-	(192,943)	(192,943)
Interest earned	5,205	5,370	10,575
Net change in certificates of deposits	-	189,329	189,329
Cash provided by investing activities	5,205	1,756	6,961
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES,			
Net decrease in repair/replacement reserve	-	29,160	29,160
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions to Replacement reserve	(34,559)	-	(34,559)
Contribution by local units of government:			
for debt retirement	(76,900)	76,900	-
to defray interest and bond fee expense	-	34,063	34,063
Retirement of revenue bonds	-	(65,000)	(65,000)
Payment on long-term debt	-	(11,900)	(11,900)
Payment of bond interest and fees expense	(94,046)	(34,063)	(128,109)
Net cash used by capital and related financing activities	(205,505)	-	(205,505)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(114,490)	53,526	(60,964)
CASH AND CASH EQUIVALENTS, beginning of year	332,107	85,390	417,497
CASH AND CASH EQUIVALENTS, end of year	\$ 217,617	\$ 138,916	\$ 356,533
COMPONENTS OF CASH AND CASH EQUIVALENTS:			
Unrestricted	\$ 217,617	\$ 21,161	\$ 238,778
Restricted for debt retirement	-	73	73
Restricted for construction	-	(5,739)	(5,739)
Designated for repair and replacement	-	123,421	123,421
Total cash and cash equivalents	\$ 217,617	\$ 138,916	\$ 356,533

The accompanying notes are a part of the financial statements.

BEAR CREEK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

NOTE A - REPORTING ENTITY

Bear Creek Township is a general law township located in Emmet County which operates under the direction of an elected township board.

Component units of the Township, include Springvale - Bear Creek Township Sewage Disposal Authority which issued separately audited general purpose financial statements and Resort - Bear Creek Township's Fire Department. The Fire Department meets the criteria to be blended with the Township's comprehensive Annual Report and Springvale - Bear Creek Township Sewage Disposal Authority does not meet the criteria to be blended with the Township's Comprehensive Annual Financial Report and is discretely presented.

NOTE B - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term account group.

The accounting policies of Bear Creek Township conform to generally accepted accounting principles as applicable to governmental units. The accrual basis of accounting is followed by the Proprietary Fund. The modified accrual basis of accounting is followed by Governmental Fund and Fiduciary Fund Types. Modifications in such method from the accrual basis are as follows:

- A. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 15 with the final collection date the last day of February when they are added to the county tax rolls.

- B. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- C. Normally, expenditures are not divided between years by the recording of prepaid expenses.

BEAR CREEK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

NOTE B - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION(CONTINUED)

The Township has the following fund types and account group:

Governmental Funds are used to account for the Township's general government activities not accounted for in other funds.

Governmental funds include the following types:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes(not including expendable trust or major capital projects).

Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

Enterprise Funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

Account Group. The General Fixed Asset Account Group is used to account for fixed assets of the Township.

NOTE C - DEPOSITS AND INVESTMENTS

The Township's cash and cash equivalents are considered to be cash in bank, cash in savings and certificates of deposits and investments with original maturities of one year or less from date of acquisition.

BEAR CREEK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

NOTE C - DEPOSITS AND INVESTMENTS(CONTINUED)

State statutes authorize the Township to invest in bank savings accounts, bank certificates of deposit, securities of the U.S. Government, and repurchase agreements from banks. The State also permits local units of government to invest funds in commercial paper(unsecured notes of business and corporations). Such obligations must be rated in one of the three highest classifications by two of the national rating services in order to qualify for local government investment. Other statutory limits are that commercial obligations may not extend for more than 270 days, and not more than one half of the total investments may be invested in commercial paper.

NOTE D - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Township to a significant concentration of credit risk consist only of cash.

The Township's deposits are owned by several of the Township's funds. A total of \$1,013,697 of the Township's \$2,215,319 of total bank deposits are in accounts which exceed FDIC insurance limits and are uncollateralized. The remaining bank deposits and investments are in separate accounts and are fully insured.

Cash is deposited with banks having satisfactory credit ratings. While cash deposits exceed FDIC insurance limits, management feels credit risk associated with cash is minimal.

II. STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY -

NOTE E - USE OF ESTIMATES

This presentation of financial statements in conformity with the modified cash basis of accounting requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

NOTE F - MEMORANDUM ONLY - TOTAL COLUMNS

Total Columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

BEAR CREEK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2004

II. STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY - CONTINUED

NOTE G - BUDGETARY INFORMATION

The annual budgets are adopted in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on April 2, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

There were no budgeting violations for the year ended March 31, 2004.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

NOTE H - CHANGES IN FIXED ASSETS

A summary of changes in the Township's equity in general fixed assets follows:

	<u>Balance</u> <u>April 1, 2003</u>	<u>Additions</u>	<u>Balance</u> <u>March 31, 2004</u>
Land & Improvements	\$ 1,372,142	\$ 18,000	\$1,390,142
Buildings	539,719	12,789	552,508
Equipment & Furniture	<u>413,450</u>	<u>4,225</u>	<u>417,675</u>
Total	<u>\$2,325,311</u>	<u>\$ 35,014</u>	<u>\$2,360,325</u>

A summary of changes in the blended Resort-Bear Creek Township's Fire Department follows:

	<u>Balance</u> <u>April 1, 2003</u>	<u>Additions</u>	<u>Balance</u> <u>March 31, 2004</u>
Safety equipment	<u>\$ 453,981</u>	<u>\$206,640</u>	<u>\$ 660,621</u>
Total changes in fixed assets	<u>\$2,779,292</u>	<u>\$241,654</u>	<u>\$3,020,946</u>

BEAR CREEK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2004

OTHER INFORMATION -

NOTE I - PROPERTY TAXES

The Township levied .9803 mills for general operating purposes and 49.01 mills for fire protection on a state taxable valuation of \$292,198,421 on the 2003 tax roll. In addition, the Township levied .03 mills on a state taxable valuation of \$21,820,000 for a light district.

Properties are assessed January 1, and the related property taxes become a lien on December 1 of the same year. These taxes are due on or before February 14 with a final collection date of February 28, before they are added to the county tax rolls. Property taxes levied December 1 which are collected prior to the end of the Township's fiscal year, are recognized as income in the year in which they are levied.

NOTE J - RISK MANAGEMENT

The Township is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township participates in a general insurance and worker's compensation program used by various municipalities in the state, the Michigan Township Participating Plan. The plan is supported by member premiums and reinsures through commercial companies. There has been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past 3 years.

NOTE K - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are summarized as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$120,513	\$ -
Current Tax Collection	<u>-</u>	<u>120,513</u>
Total	<u>\$120,513</u>	<u>\$120,513</u>

NOTE L - PENSION PLAN

Elected members of the Township board are eligible to participate in the Bear Creek Township Pension Plan administered by the Manufacturers Life Insurance Company, a defined contribution plan. There are no unfunded liabilities. The Township is required to contribute 20 percent of each participant's annual compensation. Participant contributions are not required, but voluntary non-deductible contributions are allowed. Retirement expense totaled \$12,080 for the year based on eligible wages of \$55,883. Total payroll expense for all funds for the year ended March 31, 2004 was \$252,955.

BEAR CREEK TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2004

OTHER INFORMATION - CONTINUED

NOTE M - LIABILITY FOR COMPENSATED ABSENCES

The Township has a vacation leave policy for its full time employees. The employees are required to use vacation time during the period allocated. Employees are not allowed to accumulate unused vacation leave.

NOTE N - JOINT VENTURES - SEWER DISPOSAL AUTHORITY

Bear Creek Township, in a joint venture with adjacent Springvale Township, created the Springvale - Bear Creek Sewage Disposal Authority for the purpose of providing a portion of each Township with a sewage collection system. Financing of the system included, in part, the issuance of Authority Bonds. Under the terms of a contractual agreement between the Townships and the Authority, the Townships have agreed to reimburse the Authority all debt service costs associated with the bond issue and the debt service costs are payable solely from such payments. Payments to the Authority are required annually on the first of each February in an amount equal to the bond interest, principal and service costs payable within the ensuing year.

The Townships have agreed to include in their annual property tax levy an amount sufficient to make the stipulated annual bond interest and principal payments. The full faith and credit of the Townships and an amount not exceeding 25 percent of the monies each unit receives annually as a return of state sales tax are pledged for payment of the debt service costs.

In addition, the Townships are responsible for billings to sewage customers located within their boundaries.

The Township's share of the net income transferred to retained earnings and increase in net equity in the Springvale-Bear Creek Sewage Disposal Authority for the Authority's year end of December 31, 2003, have been recorded in the Township's Sewer Fund.

The financial statements of Springvale-Bear Creek sewage disposal activity have been discretely presented within these financial statements.

A copy of the separate audited financial statements of the Springvale-Bear Creek Sewage Disposal Authority may be obtained directly from the Bear Creek Township Treasurer, Division Road, Petoskey, Michigan 49770.

BEAR CREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended March 31, 2004

OTHER INFORMATION - CONTINUED

NOTE O - LONG-TERM DEBT- COMPONENT UNIT

The following is a summary of long-term debt transactions for the year ended December 31, 2003:

	<u>2003</u>
Long-term debt payable, beginning of year	\$ 495,000
Long-term debt retired	<u>(65,000)</u>
Long term debt payable, end of year	<u>\$ 430,000</u>

NOTE P - LONG-TERM DEBT- COMPONENT UNIT

Long-term debt payable at December 31, 2003 is composed of the following issue:

	<u>2003</u>
\$1,310,000 Series 1989 Refunding Bonds due in annual installments of \$40,000 to \$95,000 plus interest of 7.250 to 7.625 percent.	<u>\$ 430,000</u>

The annual requirements to amortize all debt outstanding as of December 31, 2003, including interest payments of \$101,984, are as follows:

<u>YEAR ENDING DECEMBER 31</u>	
2004	\$ 99,825
2005	94,575
2006	84,513
2007	79,637
2008	74,722
2009	<u>98,622</u>
Total	<u>\$531,984</u>

Payment of bond principal, interest and service costs are provided by the local governmental units, under the terms of contractual agreements.

NOTE Q - JOINT FIRE DEPARTMENT

The Township, in joint venture with adjacent Resort Township, has formed the Resort-Bear Creek Townships' Volunteer Fire Department to better serve the area of these two townships with fire protection. The expenditures of the Fire Department are reimbursed by the two townships.

The financial statements of Resort - Bear Creek Township's Volunteer Fire Department have been blended into these financial statements.

BEAR CREEK TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended March 31, 2004

NOTE R - LAWSUIT

In a prior year a lawsuit was filed against the Township pertaining to a zoning matter. The parties entered into a consent judgment. Township residents held referendum election, upheld by the circuit court and rejected the land use changes provided by the consent judgment. An appeal has been made to the state appellate court of the circuit court's ruling regarding the referendum.

The Township has tendered the defense of the suit to it's liability insurance carrier.

Because of the present uncertainty concerning the consent judgment, the referendum election and pending appeals, a prediction as to the eventual outcome of this matter cannot be made at this time.

BEAR CREEK TOWNSHIP

GENERAL FUND

STATEMENT OF REVENUES - BUDGET AND ACTUAL

for the year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	OVER/(UNDER) <u>BUDGET</u>
TAXES AND PENALTIES:			
Property tax collections	\$280,000	\$ 333,744	\$ 53,744
Tax collection fees	95,000	109,433	14,433
Trailer court tax	<u>2,000</u>	<u>677</u>	<u>(1,323)</u>
Total taxes and fees	377,000	443,854	66,854
INTERGOVERNMENTAL,			
State shared revenues	400,000	355,740	(44,260)
State grants	-	26,762	26,762
Local grants	<u>50,000</u>	<u>87,200</u>	<u>37,200</u>
Total intergovernmental	450,000	469,702	19,702
LICENSES AND PERMITS			
Zoning permits	<u>12,000</u>	<u>643</u>	<u>(11,357)</u>
Total licenses and permits	12,000	643	(11,357)
INTEREST INCOME	15,000	14,258	(742)
MISCELLANEOUS REVENUES	<u>5,000</u>	<u>12,728</u>	<u>7,728</u>
Total revenues	<u>\$859,000</u>	<u>\$ 941,185</u>	<u>\$82,185</u>

BEAR CREEK TOWNSHIP

GENERAL FUND

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL

for the year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/(UNDER) BUDGET</u>
LEGISLATIVE:			
Personal services	\$ 32,632	\$ 32,632	\$ -
Pension plan	12,080	12,080	-
Payroll taxes	25,000	8,630	(16,370)
Professional services	75,000	61,249	(13,751)
Insurance and bonds	14,000	10,356	(3,644)
Supplies	46,184	14,110	(32,074)
Employee benefits	17,000	8,954	(8,046)
Printing and publishing	6,000	4,443	(1,557)
Travel	10,000	1,005	(8,995)
Total legislative	237,896	153,459	(84,437)
GENERAL GOVERNMENT:			
Supervisor:			
Personal services	10,500	10,583	83
Treasurer:			
Salary	20,000	19,583	(417)
Supplies and expenses	7,916	7,916	-
Total treasurer	27,916	27,499	(417)
Clerk:			
Salary	16,200	16,200	-
Supplies and expenses	2,000	243	(1,757)
Total clerk	18,200	16,443	(1,757)
Assessor:			
Salary	42,667	42,667	-
Supplies and expenses	8,000	3,523	(4,477)
Total assessor	50,667	46,190	(4,477)
Election, personal services	2,015	2,015	-
Board of review, personal services	2,500	720	(1,780)

(Continued)

BEAR CREEK TOWNSHIP

GENERAL FUND

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL

for the year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/(UNDER) BUDGET</u>
GENERAL GOVERNMENT: (Continued)			
Township Properties:			
Personal services	\$ 7,000	\$ 7,260	\$ 260
Communications	6,000	3,604	(2,396)
Utilities	10,000	7,241	(2,759)
Waste and snow removal	20,000	15,735	(4,265)
Spring cleanup	57,000	57,070	70
Maintenance	7,500	5,179	(2,321)
Other expenses	826	826	-
Total township properties	<u>108,326</u>	<u>96,915</u>	<u>(11,411)</u>
Total general government	220,124	200,365	(19,759)
CULTURE AND RECREATION:			
Library, airport and recreation shared expenses	45,723	45,723	-
Parks -	<u>-</u>	<u>-</u>	
Total culture and recreation	45,723	45,723	-
PUBLIC SAFETY:			
Planning and zoning:			
Personal services	27,500	4,160	(23,340)
Supplies	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total public safety	32,500	4,160	(28,340)
PUBLIC WORKS:			
Streets and highways:			
Improvements	225,000	174,395	(50,605)
Repairs and maintenance	<u>6,500</u>	<u>4,595</u>	<u>(1,905)</u>
Total public works	231,500	178,990	(52,510)
CAPITAL OUTLAY:			
Parks and recreation	-	18,000	18,000
Building improvements	12,789	12,789	-
Office equipment	35,000	5,147	(29,853)
Fire equipment	<u>125,000</u>	<u>113,247</u>	<u>(11,753)</u>
Total capital outlay	<u>172,789</u>	<u>149,183</u>	<u>(23,606)</u>
Total expenditures	<u>\$940,532</u>	<u>\$731,880</u>	<u>\$ 208,652</u>

BEAR CREEK TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
as of March 31, 2004

	LIQUOR CONTROL FUND	FIRE DEPARTMENT FUND	LIGHT DISTRICT FUND	BUILDING INSPECTION FUND	COMBINED TOTAL
ASSETS:					
Cash in bank, checking	\$46,029	\$203,362	\$ 3,878	\$ 86,421	\$339,690
Certificate of deposit	50,000	-	-	-	50,000
Taxes receivable	-	12,226	902	-	13,128
Total assets	<u>\$96,029</u>	<u>\$215,588</u>	<u>\$ 4,780</u>	<u>\$ 86,421</u>	<u>\$402,818</u>
LIABILITIES AND FUND EQUITY:					
LIABILITIES,					
Accounts payable	\$ -	\$ 7,218	\$ 452	\$ -	\$ 7,670
FUND EQUITY, Fund balance, designated	<u>96,029</u>	<u>208,370</u>	<u>4,328</u>	<u>86,421</u>	<u>395,148</u>
Total liabilities and fund equity	<u>\$ 96,029</u>	<u>\$215,588</u>	<u>\$ 4,780</u>	<u>\$ 86,421</u>	<u>\$402,818</u>

BEAR CREEK TOWNSHIP

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES

for the year ended March 31, 2004

	LIQUOR CONTROL FUND	RESORT/BEAR CREEK FIRE DEPARTMENT FUND	LIGHT DISTRICT FUND	BUILDING INSPECTION FUND	COMBINED TOTAL
REVENUES:					
Property taxes and fees	\$ -	\$145,109	\$ 5,118	\$ -	\$150,227
Intergovernmental:					
State shared revenues	5,099	-	-	-	5,099
County Grant	-	4,500	-	-	4,500
Reimbursement Resort Township	-	61,613	-	-	61,613
Reimbursement Chandler Township	-	7,500	-	-	7,500
Total inter - governmental	5,099	73,613	-	-	78,712
Permits and fees	-	560	-	131,002	131,562
Interest income	634	284	14	352	1,284
Total revenues	5,733	219,566	5,132	131,354	361,785
EXPENDITURES:					
Public safety:					
Personal services	1,500	94,454	-	111,030	206,984
Payroll taxes and benefits	115	7,353	-	9,279	16,747
Safety supplies and expenses	-	31,105	-	-	31,105
Repairs and maintenance	-	26,270	-	890	27,160
Utilities	-	512	5,372	4,602	10,486
Travel	-	-	-	435	435
Insurance	-	17,932	-	-	17,932
Supplies	852	21,047	-	6,137	28,036
Total public safety	2,467	198,673	5,372	132,373	338,885
Capital Outlay	3,427	-	-	798	4,225
Total expenses	5,894	198,673	5,372	133,171	343,110
Excess (deficiency) of revenues over expenses	(161)	20,893	(240)	(1,817)	18,675
OTHER FINANCING SOURCES(USES):					
Other transfers in	-	60,000	-	-	60,000
Other transfers (out)	-	-	-	-	-
Excess of revenues and operating transfers in over expenditures and transfers out	(161)	80,893	(240)	(1,817)	78,675
FUND BALANCES, April 1, 2003	<u>96,189</u>	<u>127,476</u>	<u>4,569</u>	<u>88,236</u>	<u>316,470</u>
FUND BALANCES, March 31, 2004	<u>\$ 96,028</u>	<u>\$208,369</u>	<u>\$ 4,329</u>	<u>\$ 86,419</u>	<u>\$395,145</u>

BEAR CREEK TOWNSHIP

STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUND - CURRENT TAX COLLECTION FUND

for the year ended March 31, 2004

	<u>BALANCE</u> <u>APRIL 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>MARCH 31, 2004</u>
ASSETS,				
Cash in bank	<u>\$ 81,415</u>	<u>\$8,968,499</u>	<u>\$8,929,401</u>	<u>\$120,513</u>
LIABILITIES:				
Due to other funds	\$ 81,415	\$ 670,064	\$ 630,966	\$120,513
Due to Emmet County	-	1,582,713	1,582,713	-
Due to Greenwood Cemetery	-	120,556	120,556	-
Due to North Central Michigan College	-	630,051	630,051	-
Due to Char-Em ISD	-	733,285	733,285	-
Due to Petoskey Public Schools	-	3,836,341	3,836,341	-
Due to State of Michigan - SET	-	1,395,489	1,395,489	-
Total liabilities	<u>\$ 81,415</u>	<u>\$8,968,499</u>	<u>\$8,929,401</u>	<u>\$120,415</u>